



FERS Overview

FEB Dallas

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Johnny Bynum

OPM



Retirement Systems

- Civil Service Retirement System (CSRS)
- CSRS Offset (CSRS and FICA coverage)
- Federal Employees Retirement System
- Federal Employees Retirement System-Revised Annuity Employee (RAE/FRAE)



Retirement System

Civil Service Retirement System (CSRS)

- CSRS Act effective August 1920
- Defined benefit
- Contributory retirement system
- Most employees pay 7% & employing agency pays 7%
- Option of paying up to 10% into Voluntary contribution account
- No Social Security taxes or TSP Matching
- Must pay Medicare tax (1.45% of pay)



Retirement System

CSRS Offset (CSRS and FICA coverage)

- 1983 Social Security Laws changed
 - SS FICA coverage for most “new” Federal employees hired > 12/31/1983 or employees rehired > 12/31/1983 after a break in retirement coverage of > one year, placed in an “interim” retirement system
- 1/1/1987, Congress created the CSRS Offset System



Retirement System

CSRS Offset applies to Federal employees who had a break in service > year and had 5 years of creditable service as of 12/31/1986



Retirement System

Federal Employees Retirement System (FERS)

- Congress created the FERS effective 1/1/1987
- New system for new employees, certain rehired employees & those who elected
- 3 different sources:
 - Basic Benefit Plan
 - Social Security
 - Thrift Savings Plan



Retirement System

Federal Employees Retirement System- Revised Annuity Employee (FERS-RAE)

PL 112-96, “Middle Class Tax Relief and Job Creation Act” of 2012

Beginning 1/1/2013:

- **New** Federal employees will have to pay 2.3% higher employee contributions
- **New** Members of Congress & Congressional employees will pay the higher employee contributions and will receive the same retirement benefits as regular employees



FERS-FRAE

FERS-Further Revised Annuity Employees (FRAE)- Section 401 of the “Bipartisan Budget Act of 2013”

Beginning 1/1/2014,

1. Employees hired after December 31, 2013, who are not excluded from FERS coverage become subject to FERS-FRAE coverage and must pay even higher employee contributions for the FERS basic benefit than FERS-RAE employees



FERS-FRAE

2. Employees who meet the requirements to retain original FERS coverage based on their status as of December 31, 2012, will continue to be subject to original FERS coverage.
3. Employees who are not eligible for original FERS coverage may still be eligible for FERS-RAE coverage based on their status as of December 31, 2013.



FERS-FRAE

4. The basic FERS benefits for congressional employees and Members of Congress covered under FERS-FRAE are the same as the benefits those groups receive under FERS-RAE



Basic Coverage Determinations

Employee Retains FERS coverage

An individual hired in 2014 or later will be subject to original FERS coverage if any of these **exceptions** apply:

- the individual on December 31, 2012, was covered under FERS; or



Basic Coverage Determinations

Employee Retains FERS Coverage

- The individual on December 31, 2012, was performing civilian service which is creditable or potentially creditable service under FERS (for example, the individual may have been performing service as a Peace Corps volunteer or may have been covered under another retirement system from which service credit may be transferred to FERS, such as CSRS, CSRS-Offset, Foreign Service, Federal Reserve, or CIARDS), or



Basic Coverage Determinations

Employee Retains FERS Coverage

- The individual on December 31, 2012, was not covered under FERS and was not performing civilian service which is creditable or potentially creditable service under FERS, but as of December 31, 2012, had performed at least **five years** of civilian service creditable or potentially creditable under FERS, including service subject to CSRS or CSRS-Offset.



Basic Coverage Determinations Employee Retains FERS Coverage

- See BAL 13-102 for additional details relating to an employee's status on December 31, 2012.



Retirement Application

CSRS
CSRS Offset

Application for
Immediate
Retirement
SF 2801

FERS
FERS-RAE
FERS-FRAE

Application for
Immediate
Retirement
SF 3107



Types Of Retirements

- Regular/Optional
- Early Retirement
- Disability
- Special Provisions
- Deferred
- Phased Retirement

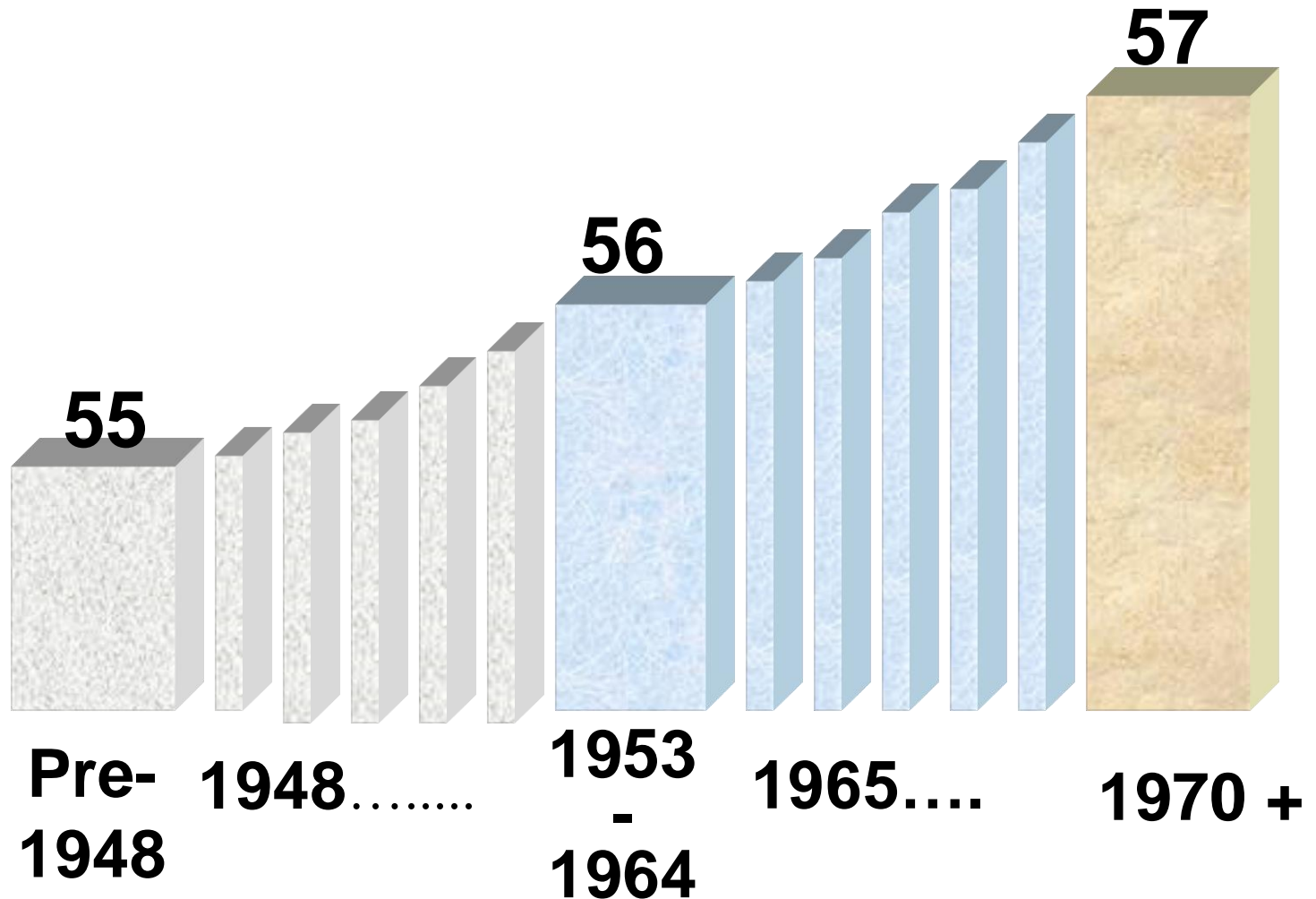


Age and Service Requirements for Regular Retirement

CSRS		FERS	
<u>Age</u>	<u>Service</u>	<u>Age</u>	<u>Service</u>
		MRA	30 years
55	30 years	60	20 years
60	20 years	62	5 years
62	5 years	MRA	10 years



FERS Minimum Retirement Age





Age and Service Requirements for Early Retirement

For both CSRS and FERS

Age

Service

Any

25 years

50

20 years



Additional Requirements for Early Retirement

- Early Retirement Authority, or
- Involuntary separation (except for misconduct or delinquency)
- Discontinued Service Retirement (DSR)



Selecting A Retirement Date

CSRS **CSRS Offset**

Last day of the
month

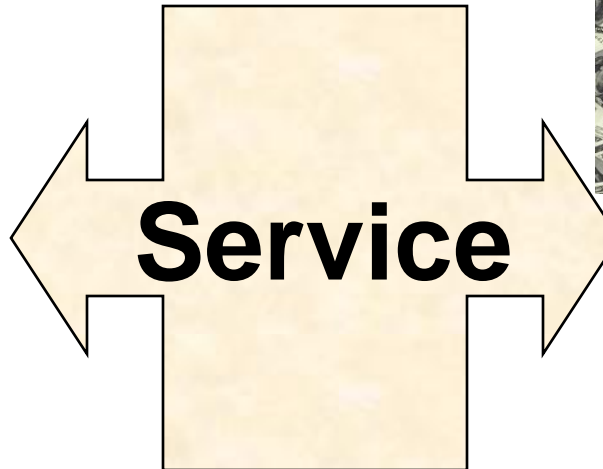
or

1st 2nd 3rd

FERS

Last day of the
month

How To Credit Service



WHEN
you can retire

HOW MUCH
you'll get



Amount of Creditable Service

Federal Civilian Service is normally credited from the beginning to ending date of an appointment

Exceptions

LWOP- 6 months

WAE

Seasonal WAE

Crediting Military Service

- Honorable, Active Duty Service
- Military Retired Pay Considerations
- Post 1956 Considerations





Crediting Post-1956 Military Service

CSRS

Military deposit
equals 7% of
base pay plus
interest

FERS

Military deposit
equals 3% of
base pay plus
interest



Civilian Service Deposits

CSRS nondeduction service performed prior to 10-01-1982

- Creditable for eligibility and computation purposes, regardless of whether or not a deposit for the service is paid
- Annuity will be reduced by 10% of deposit amount owed



Civilian Service Deposits

CSRS nondeduction service performed on or after 10-01-1982

- Creditable for eligibility, regardless of whether or not a deposit for the service is paid
- Creditable for computation only if a deposit is paid



Civilian Service Deposits

FERS nondeduction service performed prior to 01-01-1989

- Creditable for eligibility and computation purposes only if a deposit is paid

FERS nondeduction service performed on or after 01-01-1989

- Generally not creditable and a deposit cannot be made



Civilian Service Deposits

CSRS

Deposit equals
7% of earnings
plus interest

FERS

Deposit equals
1.3% of earnings
plus interest



Refunded Service

CSRS refunded service ending before 03/01/1991

- Creditable for eligibility and computation purposes, regardless of whether or not a redeposit for the service is paid
- Annuity will be subject to an actuarial reduction



Refunded Service

CSRS refunded service ending on or after 03/01/1991

- Generally creditable for eligibility, regardless of whether or not a redeposit is paid
- Creditable for computation only if a redeposit is paid



Refunded Service FERS

- P.L. 111-84, Section 1904 permits individuals who are subsequently reemployed to make a redeposit of the amount refunded, plus interest, and to have credit for the service reinstated
- National Defense Authorization Act 2010
- For the purpose of survivor annuities, redeposits may also be made by survivors
- Service Credit Applications SF 2803/3108



Crediting Unused Sick Leave

CSRS and FERS

- Sick leave may be added to the length of service used to compute an immediate annuity
- Not creditable for establishing retirement eligibility
- FERS Sick Leave
 - 50% through 12/31/2013
 - 100% after 01/01/2014



Crediting Unused Sick Leave CSRS and FERS

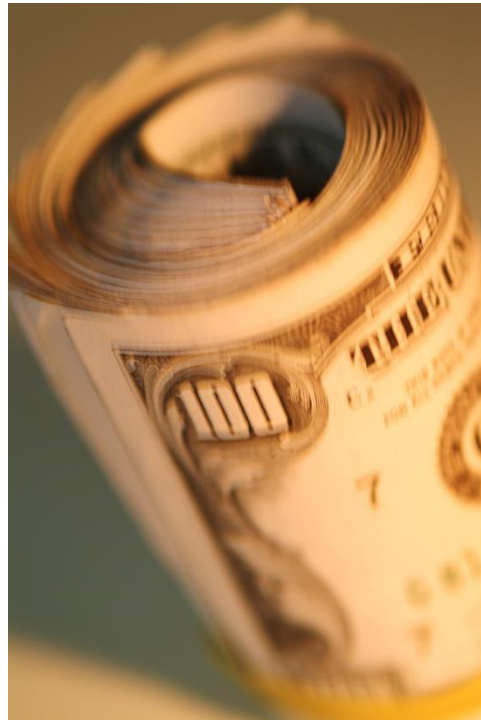
For FERS Retirement with CSRS Component

- 100% of sick leave at time of FERS election is added to the CSRS calculation
- Difference between total sick leave at retirement and sick leave used for CSRS component added to the FERS calculation
 - 50% until 12/31/2013
 - 100% after 01/01/2014



How Much Will I Get?

Annuity Computation



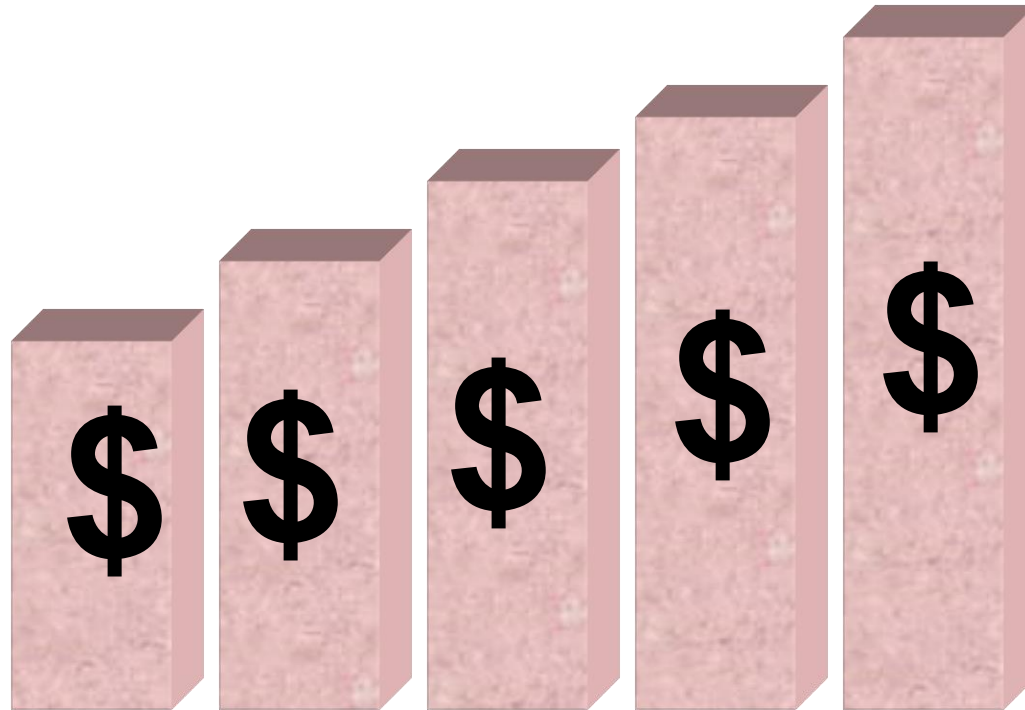


Basic Annuity

- Annuity is based on a percentage of the High 3 year average salary
- Percentage is determined by the amount of creditable service and the appropriate annuity formula



High-3 Average Salary



3 Consecutive Years

Basic Pay Includes:



- Regular Pay
- Locality Pay
- Night Differential for Wage Employees
 - Premium Pay
(for FF and LEOs)



Basic Pay Does Not Include:

- Bonuses
- Overtime
- Allowances
- Special Pay for Recruiting and Retention Purposes





General Formula

CSRS

$1.5\% \times 5 \text{ years} +$
 $1.75\% \times 5 \text{ years} +$
 $2\% \times \text{service over}$
 10 years

**Retirement
Factor**

FERS

$1\% \text{ or } 1.1\% \times$
 years of service

**Retirement
Factor**



General Formula

30 Years Total Service

$$1.5\% \times 5 = 7.50\%$$

$$1.75\% \times 5 = 8.75\%$$

$$2.0\% \times 20 = \underline{40.00\%}$$

$$56.25\%$$

$$1\% \times 30 = 30\%$$

or

$$1.1\% \times 30 = 33\%$$

Retirement Factor



CSRS Calculation Example

Employee has 30 years of service and their high-3 average salary is \$98,000

1.5% of \$98,000 (\$1,470) x 5 years = \$ 7,350

1.75% of \$98,000 (\$1,715) x 5 years = \$ 8,575

2.0% of \$98,000 (\$1,960) x 20 years = \$ 39,200

Basic Annuity (per year) = \$55,125

or



CSRS Calculation Example

$$1.5\% \times 5 \text{ years} = 7.50\%$$

$$7.50\% \times \$98,000 = \$ 7,350$$

$$1.75\% \times 5 \text{ years} = 8.75\%$$

$$8.75\% \times \$98,000 = \$ 8,575$$

$$2\% \times 20 \text{ years} = 40.00\%$$

$$40\% \times \$98,000 = \$ 39,200$$

Basic Annuity (per year) \$ 55,125



FERS Calculation Example

Employee, age 62, has 24 years of service and high-3 average salary of \$98,000

1.1% of \$98,000 or $\$1,078 \times 24 = \$25,872$

or

$1.1\% \times 24 = 26.4\%$

$26.4\% \times \$98,000 = \$25,872$



FERS Annuity With a CSRS Component

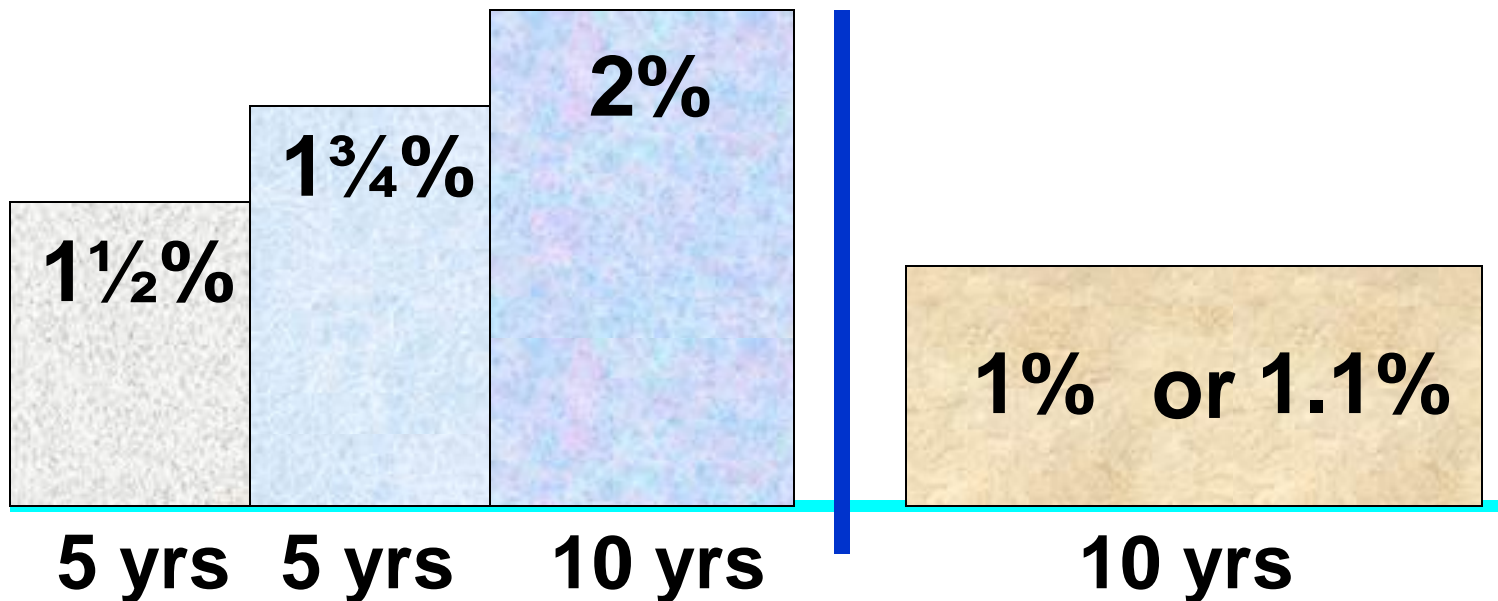
CSRS Part - 20 years

FERS Part - 10 years

36.25%

+

10% (or 11%)





FERS Annuity with a CSRS Component Calculation Example

Employee, age 62, has 20 years of CSRS service, elected FERS and has 10 years FERS Service with high-3 average salary of \$98,000

CSRS Component:

$$\begin{aligned} 1.5\% \text{ of } \$98,000 (\$1,470) \times 5 &= \$ 7,350 \\ 1.75\% \text{ of } \$98,000 (\$1,715) \times 5 &= \$ 8,575 \\ 2.0\% \text{ of } \$98,000 (\$1,960) \times 10 &= \underline{\$19,600} \end{aligned}$$

$$\text{Basic Annuity} = \$ 35,525$$



FERS Annuity with a CSRS Component Calculation Example

FERS Portion:

1.1% of \$98,000 (\$1,078) x 10 = \$10,780

Total Annuity:

\$ 10,780

\$ 35,525

\$ 46,305 per year



FERS Annuity Supplement

- Substitutes for the Social Security part of the total FERS benefit until age 62
- Approximates the Social Security benefit earned under FERS
- Subject to earnings test/\$16,920 for 2017
- Not subject to COLAs but does increase over time



FERS Annuity Supplement

To be eligible for the Supplement

- Employee must have 1 full calendar year of deductions under FERS, and
- Must qualify for an immediate, non-disability retirement (other than an MRA+10 retirement)



Reductions Applied to Basic Annuity

FERS

- CSRS component, if before Age 55
- MRA + 10 Age
- Survivor Annuity Election

CSRS Age Reduction

- Permanent Reduction
- Equals 2% for each full year under age 55
- Applies to CSRS annuities or FERS annuities with a CSRS component





FERS Age Reduction

- Applies if the employee retires on an MRA + 10 retirement
- Employee begins receiving annuity before age 62
- Permanent reduction equals 5% for each full year under age 62



Reduction for Survivor Annuity

Applies if an employee

- Elects a survivor annuity for a spouse and/or former spouse
- Has a former spouse entitled to a survivor annuity based on a valid court order, and/or
- Elects to provide someone with an insurable interest annuity



Survivor Annuity Reduction

FERS

Full survivor annuity (50%)

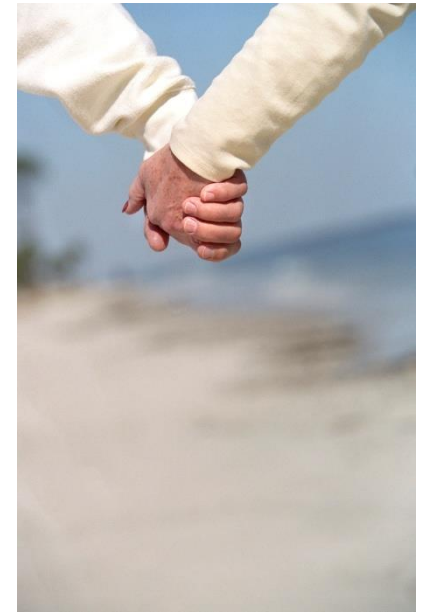
10% of annuity

Partial survivor annuity (25%)

5% of annuity

Insurable Interest

- A person who has a reasonable expectancy of financial benefit in the continued life of the employee
- Reduction to provide a survivor annuity to someone with an insurable interest ranges between 10 and 40%





Insurable Interest

- New regulations effective July 20, 2012
- Presumed Insurable Interest for Same Sex Domestic Partners
- The modification of the pre-existing rule now includes same-sex domestic partners in the class of persons presumed as having an insurable interest in the continued life of the employee/retiree
- June 26, 2015- Supreme Court Ruling "Marriage for All"



Other Reductions

CSRS Offset

Social Security benefit
minus
Social Security benefit computed without
CSRS Offset service



Maximum Annuity

CSRS

- 80% of the high-3 average salary
- Equivalent to 41y and 11m service
- 35 years of LEO/FF service
- Limit may be exceeded with unused sick leave credits

FERS

There is no maximum annuity under FERS



Returning to Government Work After Retirement

Generally, annuity continues and salary is offset by amount of annuity

Exceptions (FERS)

- Disability annuitants
- Dual comp waivers



Cost of Living Adjustments (COLAS)

FERS

- Generally not applied until the December after age 62

Exceptions

- Disability
- LEO/FF
- ATC



Cost of Living Adjustments (COLAS)

FERS

If the percent change in the CPI is:

- 0-2% the COLA equals the CPI increase
- 2-3% the COLA equals 2%
- Over 3% the COLA equals the change in the CPI - 1



More Information

Sign up to receive the BenefitsInfo listserv emails!

Log into the OPM webpage at:

[http://apps.opm.gov/Listserv Apps/list-sub.cfm](http://apps.opm.gov/Listserv_Apps/list-sub.cfm)



Johnny Bynum

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Questions

